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BEFORE THE ARIZONA CORPORATION COMMISSIONCOMMISSIONERS

KRISTIN K. MAYES, Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

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ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

In the matter of:

DOCKET NO. S-20716A-09-0574

MIKO D. WADY and JENNIFER L.
SAVAGE (f.k.a. JENNIFER L. WADY),
formerly husband and wife;

**NOTICE OF OPPORTUNITY FOR HEARING
REGARDING PROPOSED ORDER TO
CEASE AND DESIST, FOR RESTITUTION,
FOR ADMINISTRATIVE PENALTIES, AND
FOR OTHER AFFIRMATIVE ACTION**

NATO ENTERPRISES, LLC, an Arizona
limited liability company;

MALIKA S. SMITH and KORY C. SMITH,
formerly wife and husband;

BOBBY G. GOODSON and PAMELA D.
GOODSON, husband and wife;

CAA GENERAL PARTNERSHIP, an
Arizona general partnership;

MARIO K. REED, a single man;

PHOENICIAN ENTERTAINMENT, L.L.C.,
an Arizona limited liability company;

THURSTON SMITH and SHAVONE
SMITH, husband and wife;

B.Y.B. ENTERTAINMENT, L.L.C., an
Arizona limited liability company;

Respondents.

Arizona Corporation Commission
DOCKETED

DEC 23 2009

**NOTICE: EACH RESPONDENT HAS 10 DAYS TO REQUEST A HEARING****EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER**

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission")
alleges that respondents MIKO D. WADY; NATO ENTERPRISES, LLC; MALIKA S. SMITH;

1 BOBBY G. GOODSON; CAA GENERAL PARTNERSHIP; MARIO K. REED; PHOENICIAN
2 ENTERTAINMENT, L.L.C.; THURSTON SMITH; and, B.Y.B. ENTERTAINMENT, L.L.C.
3 have engaged in acts, practices, and transactions that constitute violations of the Securities Act of
4 Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act").

5 I.

6 JURISDICTION

7 1. The Commission has jurisdiction over this matter pursuant to Article XV of the
8 Arizona Constitution and the Securities Act.

9 II.

10 RESPONDENTS

11 2. MIKO D. WADY ("WADY") is an individual who, at all relevant times, resided in
12 Maricopa County, Arizona and was the manager of NATO ENTERPRISES, LLC.

13 3. NATO ENTERPRISES, LLC ("NATO") is an Arizona limited liability company.

14 4. MALIKA S. SMITH ("MALIKA") is an individual who, at all relevant times, resided
15 in Maricopa County, Arizona. MALIKA is a member of NATO and partner of CAA GENERAL
16 PARTNERSHIP.

17 5. BOBBY G. GOODSON ("GOODSON") is an individual who, at all relevant times,
18 resided in Maricopa County, Arizona. GOODSON is a partner of CAA GENERAL
19 PARTNERSHIP.

20 6. CAA GENERAL PARTNERSHIP ("CAA") is an Arizona general partnership.

21 7. MARIO K. REED ("REED") is an individual who, at all relevant times, resided in
22 Maricopa County, Arizona. REED is a member and manager of PHOENICIAN
23 ENTERTAINMENT, L.L.C.

24 8. PHOENICIAN ENTERTAINMENT, L.L.C. ("PHOENICIAN") is an Arizona
25 limited liability company.

1 9. THURSTON SMITH ("THURSTON") is an individual who, at all relevant times,
2 resided in Maricopa County, Arizona. THURSTON is a member and manager of B.Y.B.
3 ENTERTAINMENT, L.L.C.

4 10. B.Y.B. ENTERTAINMENT, L.L.C. ("BYB") is an Arizona limited liability
5 company.

6 11. WADY, NATO, MALIKA, GOODSON, CAA, REED, PHOENICIAN,
7 THURSTON, and BYB may be referred to collectively as "Respondents."

8 12. JENNIFER L. SAVAGE (f.k.a. JENNIFER L. WADY) was, at all relevant times,
9 the spouse of WADY. KORY C. SMITH was, at all relevant times, the spouse of MALIKA.
10 PAMELA D. GOODSON was, at all relevant times, the spouse of GOODSON. SHAVONE
11 SMITH was, at all relevant times, the spouse of THURSTON. JENNIFER L. SAVAGE (f.k.a.
12 JENNIFER L. WADY), KORY C. SMITH, PAMELA D. GOODSON, and SHAVONE SMITH
13 may be referred to collectively as "Respondent Spouses." Respondent Spouses are joined in this
14 action under A.R.S. § 44-2031(C) solely for purposes of determining the liability of the respective
15 marital communities.

16 13. At all relevant times, WADY, MALIKA, GOODSON, and THURSTON acted for
17 their own benefit and for the benefit or in furtherance of their and Respondent Spouses' respective
18 marital communities.

19 III.

20 FACTS

21 14. At all relevant times, Respondents were not registered as securities dealers or
22 salesmen.

23 15. From on or about February 2008 to August 2008 in Maricopa County, Arizona,
24 WADY, NATO, CAA, REED, PHOENICIAN, and BYB offered and sold to Deluxe Designs
25 International, LLC ("Deluxe") and at least six other investors (Deluxe and these investors may be
26 referred to collectively as "the Investors") at least \$2,910,000 of investment contracts issued by

1 CAA, PHOENICIAN, and BYB in connection with the production of concerts. As more fully
2 described below, representations were made that the Investors would fund the production of each
3 concert by paying the producer directly, then receive the revenue generated by the sale of tickets
4 that would not only repay the cost of the production, but result in a profit for the Investors.

5 16. At all relevant times, the investment contracts referred to above were not registered
6 pursuant to Articles 6 or 7 of the Securities Act.

7 17. WADY and REED represented to the Investors that WADY is arranging the funding
8 for the production of concerts nationwide for such artists as Keith Urban, Carrie Underwood,
9 Radiohead, the Dave Matthews Band, the Foo Fighters, 50 Cent, and R. Kelly.

10 18. WADY and REED represented to the Investors that funding these concerts would be
11 profitable and WADY represented to Deluxe that enough money would be raised from concert ticket
12 sales to repay Deluxe's principal investment and generate a profit of at least 25 percent.

13 19. WADY and REED represented to the Investors that NATO, REED, and the Investors
14 would share in the profit from the ticket sales after the Investors' principal investments had been
15 repaid. The profit-sharing with Deluxe is described in the Joint Venture Agreements that identify the
16 concerts to be funded by Deluxe and that state the total amount of money required to produce each
17 concert ("Event Cost"). The Joint Venture Agreements state that, "The cash receipts from the
18 [concert] remaining after payment of the [Event Cost]...shall be referred to as the "Net Profits
19 Receipts" and...shall be divided into thirds and distributed: 1/3 according to the percentage of the
20 amount of the initial cash contributed by each Joint Venturer [(Deluxe or one of its investors)] for the
21 [concert], 1/3 to NATO Enterprises, and 1/3 to Deluxe Designs International, LLC."

22 20. WADY represented to the Investors that he has a relationship with a "broker" who
23 furnishes the services of the artists at the concerts. WADY further represented that the production of
24 each concert is funded by the Investors entering into a Performance Agreement with the broker
25 (referred to in the Performance Agreement as the "Producer" of the concert and referred to hereinafter
26 as "the Broker/Producer") and the Investors paying the Broker/Producer's agent (referred to in the

1 Performance Agreement as the "Producer's Agent"). Some of the Performance Agreements list CAA
2 as the Producer's Agent and others list PHOENICIAN. BYB too was represented to be the
3 Producer's Agent.

4 21. Other than paying CAA, PHOENICIAN, and BYB, the Investors had no duties to
5 perform or responsibilities to fulfill in order to receive their promised profit. WADY represented to
6 the Investors that the Broker/Producer, who the Investors have never met, would produce the
7 concerts, receive the money raised from ticket sales, repay the Investors' principal investment, and
8 account for/pay the Investors their profit based on "audit sheets" that purport to show the number of
9 tickets sold and amount of money raised from a concert. The Performance Agreements state, among
10 other things, that "[the Broker/Producer] shall have exclusive control over the production...of the
11 [concert]..."

12 22. The Investors caused all of their money to be sent directly (and on occasion indirectly
13 via NATO and otherwise) to CAA, PHOENICIAN, and BYB.

14 23. All of the concert dates (from February to August 2008) came to pass and, although
15 they received audit sheets, the Investors have received to date a total of only \$28,229.80 of their
16 principal investment and none of the promised profit.

17 24. WADY represented to Deluxe that CAA is Creative Artists Agency, the international
18 talent agency that has offices worldwide and that represents Keith Urban, Carrie Underwood,
19 Radiohead, and the Dave Matthews Band. CAA is not Creative Artists Agency, but instead an
20 Arizona general partnership given its name by WADY and whose partners are MALIKA and
21 GOODSON, the sister and former father-in-law of WADY, respectively.

22 25. MALIKA and GOODSON formed CAA and opened CAA bank accounts solely for
23 the purpose of handling banking transactions related to what MALIKA and GOODSON believed to
24 be was the concert production activity of WADY. WADY contacted MALIKA when Deluxe's
25 money was received by CAA, then WADY instructed MALIKA and GOODSON on what to do with
26 the money. At least \$980,000 was paid to and/or transferred to accounts controlled by WADY and

1 some of the money received by CAA was spent by MALIKA on her personal living expenses. None
2 of the money received by CAA was paid to the Broker/Producer and none was paid to Keith Urban,
3 Carrie Underwood, the Foo Fighters, 50 Cent, Radiohead, the Dave Matthews Band, or any of these
4 artists' agents.

5 26. WADY represented to Deluxe that PHOENICIAN is a talent agency like Creative
6 Artists Agency and that PHOENICIAN represents the Foo Fighters. PHOENICIAN does not
7 represent the Foo Fighters and it is an Arizona limited liability company whose member and
8 manager is REED, the cousin of WADY.

9 27. REED used the PHOENICIAN bank account for transactions related to what REED
10 believed to be was the concert production activity of WADY. WADY contacted REED when money
11 was received by PHOENICIAN, then WADY instructed REED on what to do with the money. At
12 least \$237,700 of the money was paid to and/or transferred to accounts controlled by WADY; none of
13 it was paid to the Broker/Producer; and, none was paid to the Foo Fighters or their agent.

14 28. WADY did not disclose to Deluxe that BYB is an Arizona limited liability company
15 whose member and manager is THURSTON and that the BYB bank account was used for
16 transactions related to WADY. At least \$121,000 of the money received by BYB was paid to and/or
17 transferred to accounts controlled by WADY; none of it was paid to the Broker/Producer; and, none
18 was paid to an artist or agent thereof.

19 **IV.**

20 **VIOLATION OF A.R.S. § 44-1841**

21 **(Offer or Sale of Unregistered Securities)**

22 29. From on or about February 2008 to August 2008, WADY, NATO, CAA, REED,
23 PHOENICIAN, and BYB sold securities in the form of investment contracts within or from Arizona.

24 30. The securities referred to above were not registered pursuant to Articles 6 or 7 of the
25 Securities Act.

26 31. This conduct violates A.R.S. § 44-1841.

V.

VIOLATION OF A.R.S. § 44-1842

(Transactions by Unregistered Dealers or Salesmen)

32. WADY, NATO, CAA, REED, PHOENICIAN, and BYB sold securities within or from Arizona while not registered as dealers or salesmen pursuant to Article 9 of the Securities Act.

33. This conduct violates A.R.S. § 44-1842.

VI.

VIOLATION OF A.R.S. § 44-1991

(Fraud in Connection with the Offer or Sale of Securities)

34. In connection with the offer or sale of securities within or from Arizona, WADY, NATO, CAA, REED, PHOENICIAN, and BYB directly or indirectly: (i) employed a device, scheme, or artifice to defraud; (ii) made untrue statements of material fact or omitted to state material facts that were necessary in order to make the statements made not misleading in light of the circumstances under which they were made; or (iii) engaged in transactions, practices, or courses of business that operated or would operate as a fraud or deceit upon offerees and investors. The conduct of WADY, NATO, CAA, REED, PHOENICIAN, and BYB includes, but is not limited to, the following:

a) misrepresenting to the Investors that, by entering into the Performance Agreements with the Broker/Producer and paying CAA, PHOENICIAN, and BYB, the Investors would be paying for the services of the artists at the concerts;

b) misrepresenting to Deluxe that CAA is Creative Artists Agency and failing to disclose to the Investors that it is instead an Arizona general partnership given its name by WADY and formed by MALIKA and GOODSON solely for the purpose of handling the banking transactions of WADY;

c) failing to disclose to the Investors that some of the money they sent to CAA would be spent by MALIKA on her personal living expenses;

d) misrepresenting to Deluxe that PHOENICIAN represents the Foo Fighters and failing to disclose to the Investors that it is the Arizona limited liability company of REED and that it handled the banking transactions of WADY; and,

e) failing to disclose to Deluxe that BYB is the Arizona limited liability company of THURSTON and that it handled the banking transactions of WADY.

35. This conduct violates A.R.S. § 44-1991.

36. MALIKA directly or indirectly controlled CAA as its partner. Therefore, MALIKA is jointly and severally liable under A.R.S. § 44-1999 to the same extent as CAA for its violations of A.R.S. § 44-1991.

37. GOODSON directly or indirectly controlled CAA as its partner. Therefore, GOODSON is jointly and severally liable under A.R.S. § 44-1999 to the same extent as CAA for its violations of A.R.S. § 44-1991.

38. REED directly or indirectly controlled PHOENICIAN as its member and manager. Therefore, REED is jointly and severally liable under A.R.S. § 44-1999 to the same extent as PHOENICIAN for its violations of A.R.S. § 44-1991.

39. THURSTON directly or indirectly controlled BYB as its member and manager. Therefore, THURSTON is jointly and severally liable under A.R.S. § 44-1999 to the same extent as BYB for its violations of A.R.S. § 44-1991.

VII.

REQUESTED RELIEF

The Division requests that the Commission grant the following relief:

1. Order Respondents to permanently cease and desist from violating the Securities Act, pursuant to A.R.S. § 44-2032;

2. Order Respondents to take affirmative action to correct the conditions resulting from Respondents' acts, practices, or transactions, including a requirement to make restitution pursuant to A.R.S. § 44-2032;

3. Order Respondents to pay the state of Arizona administrative penalties of up to five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;

4. Order that the respective marital communities of WADY, MALIKA, GOODSON, THURSTON, and Respondent Spouses be subject to any order of restitution, rescission, administrative penalties, or other appropriate affirmative action pursuant to A.R.S. § 25-215; and,

5. Order any other relief that the Commission deems appropriate.

VIII.

HEARING OPPORTUNITY

Each respondent, including Respondent Spouses, may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. R14-4-306. **If a respondent requests a hearing, the requesting respondent must also answer this Notice.** A request for hearing must be in writing and received by the Commission within 10 business days after service of this Notice of Opportunity for Hearing. The requesting respondent must deliver or mail the request to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007. Filing instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at <http://www.azcc.gov/divisions/hearings/docket.asp>.

If a request for a hearing is timely made, the Commission shall schedule the hearing to begin 20 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the parties, or ordered by the Commission. If a request for a hearing is not timely made the Commission may, without a hearing, enter an order granting the relief requested by the Division in this Notice of Opportunity for Hearing.

Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting Shaylin A. Bernal, ADA Coordinator, voice phone number (602) 542-3931, e-mail sabernal@azcc.gov. Requests should be made as early as possible to allow time to arrange the accommodation.

IX.

ANSWER REQUIREMENT

Pursuant to A.A.C. R14-4-305, if a respondent requests a hearing, the requesting respondent must deliver or mail an Answer to this Notice of Opportunity for Hearing to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007, within 30 calendar days after the date of service of this Notice. Filing instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at <http://www.azcc.gov/divisions/hearings/docket.asp>.

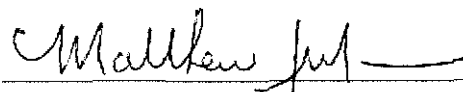
Additionally, the answering respondent must serve the Answer upon the Division. Pursuant to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix, Arizona, 85007, addressed to Aaron S. Ludwig.

The Answer shall contain an admission or denial of each allegation in this Notice and the original signature of the answering respondent or respondent's attorney. A statement of a lack of sufficient knowledge or information shall be considered a denial of an allegation. An allegation not denied shall be considered admitted.

When the answering respondent intends in good faith to deny only a part or a qualification of an allegation, the respondent shall specify that part or qualification of the allegation and shall admit the remainder. A respondent waives any affirmative defense not raised in the Answer.

The officer presiding over the hearing may grant relief from the requirement to file an Answer for good cause shown.

Dated this 23rd day of December 2009.


Matthew J. Neubert
Director of Securities